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MX-4038

1 April 1963

MEMORANDUM FOR THE RECORD:

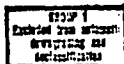
SUBJECT: Heinz FELFE Damage Assessment

1. Definition: The FELFE damage assessment is a documented record of CI/CE and other intelligence information passed by American Intelligence Services to the West German Intelligence Service (BND) from mid-August 1953 until 6 November 1961, a period during which the BND Headquarters was penetrated by a KGB agent, Heinz FELFE. FELFE was a senior BND CI officer responsible for the conduct of CE operations against the Soviets. He had access to BND files, including American Intelligence information, particularly that related to the Soviet Intelligence services. Accordingly, the FELFE damage assessment is an itemized record of the AIS information available to this KGB agent. The assumption is that FELFE reported this information to the Soviets in fulfillment of his mission as a penetration agent until his arrest.

2. FELFE Access: FELFE met regularly with members of the CIA liaison staff accredited to BND Headquarters and with selected CIA case officers at other bases in Germany. Thus, in addition to written (the YM-yellow memorandums used for official correspondence from CIA to the BND in Munich) and documentary information sent him by the CIA liaison staff, FELFE was also the direct recipient of AIS information orally from his CIA colleagues. He also had unrestricted access to the BND central card index in which AIS name trace data sent or requested from the BND, was and is recorded as such. Finally, it is known that FELFE eluded compartmentation within the BND and was skillful in eliciting information from his fellow colleagues regarding their knowledge of AIS interest in BND activities and targets outside his own field of specialty, e.g. operations against the Satellite services.

3. Documentary Basis and Product: Facts on the damages presumably incurred by the American Intelligence services as a result of this KGB penetration were assembled primarily from the records of the CIA liaison staff accredited to BND Headquarters. This included the comprehensive review of the "yellow memoranda" and CIA official dispatches, contact reports, memos for the record, etc. which recorded also oral exchanges with FELFE. The FELFE damage assessment is the product of that review which encompassed the body of written evidence from February 1953 to 6 November 1961. From these records an estimate of the nature and significance of compromise of each item or person was made.

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4. Personalities having come to FELFE's attention must be assumed to have been compromised in varying degrees. These have been grouped as follows:

- I. Subject compromised to RIS by FELFE
- II. Subject probably compromised to RIS by FELFE who learned of CIA interest in Subject orally from a CIA Case Officer.
- III. Subject probably compromised to RIS by FELFE who learned of AIS interest in Subject from a written memorandum addressed to him by CIA.
- IV. Subject possibly compromised to RIS by FELFE who had access to AIS information passed in a written memorandum by CIA to the BND (West German Intelligence Service)

Names Tracer's should be aware that "compromised" in the context of this paper means that the person involved may have been brought to the attention of RIS as "being connected with or being subject of interest to US or Western Services" (to the degree and in the manner indicated by Roman Numeral category above). This paper can give no indication how such information may have been used by RIS.

5. The date appearing on RID Index cards under remarks is the earliest date on which FELFE to the best of our knowledge came into possession of the information and/or may have compromised the information.

6. If further details are needed additional information may be obtained from EE/G/Liaison.

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